

ASX Release: 31 January 2020

Appendix 4C

Quarterly cash flow report to 31 December 2019

All figures are stated in Australian dollars and are unaudited.

Adherium Limited (ASX:ADR), a digital health company that improves medication adherence and patient outcomes, presents its Appendix 4C cash flow report for the quarter and six months ended 31 December 2019.

Through the quarter to 31 December 2019, Adherium took a series of significant steps in its global growth and commercialization strategy, including beginning to assemble a strong new, globally recognized, management team.

The Company is now implementing a revised and more focused strategy of commercialization, tapping into new reimbursement pathways to payment. Key changes came recently in the United States, when the Centers for Medicare & Medicaid Services (CMS) introduced three Current Procedural Terminology (CPT) codes applying to digital Remote Patient Monitoring (RPM) services. This opened the path to payment for digital connected care services that enable physicians to manage, monitor and co-ordinate patient care remotely through connected devices where a physiological measure is captured.

Additionally, US healthcare payers (such as insurers) are looking to reduce their costs with 'value-based healthcare', a delivery model in which hospitals and physicians are paid on patient health outcomes. Risk-share contracts are being agreed with partners who can manage or monitor their patient populations, splitting the savings with the partner, or paying a per-member, per-month fee.

Adherium's strategy intends to take advantage of this change in the US. The Company is also looking to the UK, Europe, Canada and Australia to complete its pricing and reimbursement strategy, and believes the changes in reimbursement in key markets and application of Adherium's Hailie® digital sensors for asthma and COPD inhalers are opening up important business growth opportunities.

In December 2019 Adherium initiated a Rights Issue Offer, and this closed in January 2020 with the Company successfully raising the full \$5.4 million offered, by way of entitlement subscriptions and placement of shortfall with existing shareholders and wholesale and exempt investors. Significant contributors included existing shareholders K One W One and Fidelity International, and new investors EGP Capital and Trudell Medical.

Trudell Medical had also subscribed for \$1.1 million of secured debt notes in the December quarter, an extension of the \$1.8 million of secured debt notes issued in August 2019. Having received shareholder approval at the 2019 AGM of the conversion features, the secured debt notes have now been converted following completion of the fundraising noted above.

Cash Flow Commentary

Receipts from sales to customers for sensors and engineering services were consistent quarter on quarter with \$759,000 for the December 2019 quarter compared with \$765,000 in the quarter to 30 September 2019.

Payments for research and development were \$836,000 in the December quarter compared with \$748,000 in the previous quarter, with activity focussed on further feature development within the Hailie® mobile app and cloud platform, test integrations with third party healthcare applications, as well as sensor testing as part of obtaining regulatory approvals in new geographies and planning for sensor enhancements to enable access to the reimbursement and risk-share models noted above. Sales and marketing costs were higher in the December quarter at \$311,000 compared with \$268,000 the previous quarter, reflecting increased business development activity related to new strategic initiatives in the US. Staff costs also increased from \$527,000 for the September quarter to \$646,000 for the December quarter following the new management appointments, and similarly administration and corporate costs were higher quarter on quarter as new management were onboarded, the new strategic focus was formulated and implemented, and activities related to the Rights Issue Offer commenced.

This ASX announcement was approved and authorised for release by the Board of Adherium.

About Adherium

Adherium is a provider of digital health solutions and a global leader in connected respiratory medical devices, with over 170,000 sold globally. The Company develops, manufactures and supplies patients, pharmaceutical companies, healthcare providers and contract research organizations with the broadest range of connected medical devices for respiratory medications. The devices and accompanying technology address sub-optimal medication use and strive to improve health outcomes in chronic disease. Adherium operates globally from bases in the USA and Australasia. Learn more at adherium.com and hailie.com.

Enquiries

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Adherium Limited

ABN

24 605 352 510

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	759	1,524
1.2 Payments for		
(a) research and development	(836)	(1,584)
(b) product manufacturing and operating costs	(428)	(724)
(c) advertising and marketing	(311)	(579)
(d) leased assets	-	-
(e) staff costs	(646)	(1,172)
(f) administration and corporate costs	(426)	(622)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,886)	(3,154)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(20)	(72)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(20)	(72)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	1,126	2,926
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,126	2,926

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,201	763
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,886)	(3,154)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(20)	(72)

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,126	2,926
4.5	Effect of movement in exchange rates on cash held	(43)	(85)
4.6	Cash and cash equivalents at end of period	378	378

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	378	116
5.2	Call deposits	-	1,085
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	378	1,201

6. Payments to related parties of the entity and their associates

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

39

-

Payment of directors' fees.

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	2,926	2,926
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	2,926	2,926

7.5 Unused financing facilities available at quarter end

Nil

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

The Company issued secured debt notes to sophisticated and professional investors in the six months to 31 December 2019, including to related parties One Funds Management Ltd as trustee for the Asia Pacific Healthcare Fund II and Summatix Pty Ltd. The secured debt notes bear interest at 9% p.a. and at the 2019 AGM shareholders approved conversion features into ordinary shares and options of the Company.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,886)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	378
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	378
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	0.2

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Yes

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Yes, in December 2019 the Company initiated a Rights Issue offer to raise up to \$5.4m. On 30 January 2020 the company completed allotments for \$5.4m, the full amount of the offer.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, as at the date of this report the Company has completed the capital raising noted in 2 above.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: ..31 January 2020.....

Authorised by: .The Board of Directors.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.